

VIA: AIR
(SPECIFY AIR OR SEA POUCH)

DISPATCH NO. MGL-A- 9853

CLASSIFICATION

TO : Chief, Foreign Division, M
FROM : Chief of Station, Karlsruhe *yff*
SUBJECT: GENERAL— Operational
SPECIFIC— USAGE

DATE: 4 January 1952

Reference: MGKW-11190, MGLA-8041, MASA-1030

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1. Developments in the USAGE operations over the past three months have caused us to hold up reply to your MGKW-11190 until comments were received from the Austrian station and it was possible to discuss the matter here with 1. We have received MASA-1030, outlining the position of the Austrian station; 1 has returned, and the 31 December deadline date for final assessment of USAGE has now been reached. The purpose of this dispatch, therefore, is to point out what has been accomplished thus far and to record our recommendations for the future. Whether these recommendations meet with your approval or not, it is hoped that some definite and positive decision will result which can be implemented at the earliest practicable date.

2. To begin, our comments on the various paragraphs in MGKW-11190 follow:

a. Par. 1 - "GRUESOME is the proper agency to handle (USAGE), but dependent on transfer of GRUESOME to ZACABIN". When will this occur? We feel that if such transfer is not effected in the near future, it will only result in further vacillation and indecision on the ultimate disposition of USAGE. Further, we are inclined to agree to a great extent with the objections by the Austrian station to GRUESOME handling of USAGE as expressed in par. 3, MASA-1030, and to these add our own comments that no one presently on the GRUESOME staff except Clarence Foley is now authorized to read the extensive ZACABIN files on USAGE operations. Rewriting of these could not be staffed by POB, nor, probably, by the Austrian station.

b. (1) Par. 2 - "USAGE has survived various assessment periods and various deadlines never enforced". True, but due, in large part, to our previous inability to provide a final assessment based on divergent requirements and views of customer agencies. We feel that we have reached the end of these assessment periods, and make a final recommendation of transfer to SOB. We did reach the end of the latest deadline given USAGE for Hungarian operations, and enforced it by withdrawing financial support on 1 November, prior to receipt of your MGKA-11190.

DIST:

✓2 - FDM
2 - COS
1 - SALZ
2 - File
1 - SRFG

EXEMPTIONS Section 3(b)

(2)(A) Privacy
(2)(B) Methods/Sources
(2)(C) Foreign Relations

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Date: 1/15/2005

FORM NO.
MAR. 1949

51-28A

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(2) Par. 2 - "Satellite success has been meager. June-July-August, 2 CSR reports, of value, but from complex which USAGE quite probably does not and will not control". During Sept.-Oct.-Nov. this operation has produced 26 reports (info reports, documents, photos, materials, etc.) gained as a result of four successful courier trips into CSR and return. What appears to be a good possibility for establishing a permanent residentura within CSR is now being explored. As for control, USAGE has procured from this CSR group PRQ's, photos, fingerprints and signatures. He is kept continuously informed of RFE, ZACACTUS, and other intelligence approaches to this group. This, plus the ZACACTUS support of Bjela Legia radio which this group has gained, ostensibly through USAGE, seem to indicate to us that USAGE has shown more control over this group than has been maintained previously by anyone else.

c. Par. 3 - "USAGE's forte has been his immense accumulated knowledge of Austrians involved in intelligence peddling If asked to drop his attempts to procure positive intelligence, his show, if properly controlled, may well complement and protect the positive efforts of GRUESOME". His forte has been not only this, but also his ability to penetrate and gain knowledge of U. S. and other I. S. activities in Austria, including ZACACTUS, ZIPPER and SOB. For this reason we feel it would be preferable to have SOB control him rather than GRUESOME, which at present disseminates its reports to G-2 USFA, unless, of course, GRUESOME becomes part of ZACABIN and this dissemination is changed. However, since USAGE probably has the connections and capabilities to maintain these penetrations in any event, there seems to be no reason per se to condition their continuance or expansion upon dropping of his positive operations.

d. (1) CSR Operation

We feel that it is not now too early to say that USAGE has something here which at least merits further exploration. This we base on production stemming from this operation (plus Wash. evaluation so far received): apparently genuine courier trips, and the informal estimate of [] of MOB that the operation appears sound. Incidentally, MOB([]) and SOB ([]) have been kept informed and consulted on this operation. JOB, which had access to the entire WACO project files but showed no interest, was not included in discussions principally because their principal group (OKAPI), is in diametric opposition to the USAGE (Bjela Legia) Slovaks. The decision to include or exclude GRUESOME in these talks, we felt was a matter for SOB to resolve. The fact that GRUESOME is not yet a part of ZACABAL, plus reasons set down above and those advanced in MASA-1030 probably account for non-inclusion of GRUESOME in either specific or general USAGE discussions. We have secured a copy of the CIC report # R-1312-51 on the Bjela Legia, and [] has been consulted on some of the persons mentioned. [] is also quite familiar with many of the persons forming part of this group. His knowledge along with that of [] has been called upon and made use of by [].

(2) Hungary

PL

As pointed out in 2 b (1) above, financial support was terminated for the Hungarian operation on 1 November. Your vexation at the lack of success of this operation is certainly understandable, and, indeed, reflects the frustration USAGE expresses and we keenly feel. Despite withdrawal of funds, USAGE insists he will continue to attempt to establish a going operation into Hungary, and if success is achieved, again present the operation, much as he did with the CSR show. If, in addition, for possible future use by us, or by way of partial recompense for money expended, true names and biographical data of all personnel involved are desired, USAGE is willing to continue to gather same - at no additional costs, of course. In this connection, [] and [] have expressed interest in certain persons used in the now defunct Hungarian operation.

(3) Operation SINGER

As reported in MGLA-8552, this operation was dropped by USAGE after the three month trial period failed to produce sufficient returns to justify continuance.

(4) KOSSAREV case

Better, and perhaps luckier, file tracing on our part would have exposed the key figure, KOSTUCHENKO, as a shady character and averted this aptly termed "fiasco", wherein Van Cutsem, USAGE and ourselves were quite obviously taken, we for a sum of 500 DM.

(5) GAVRILOV case

We are preparing a paper on this case, also turned up by Father Van CUTSEM, which after a number of weakly explained delays, begins to take on the appearance of an RIS confusion operation. However, this operation is not, nor was it ever, financed, and we feel reasonably certain that no one employed by us has been blown. As no costs are involved, and defectors are currently such a primary target, we can do little else than await future developments. Our only commitments in this case are to receive the body if and when he comes out.

3. The sentiments expressed in para. 4 are certainly most sound in principle and in fact and ones which we most heartily endorse. That the takeover agency must be familiar with USAGE's history could not be truer. We therefore feel, that because SOB has been kept informed of USAGE's operations, has received copies of all reports for a period of six months, and now has present on the SOB staff [], who is also familiar with USAGE from the Washington side, SOB is the logical base to handle USAGE. It does not appear to us that GRUESOME can match these qualifications. As far as the takeover agency becoming otherwise bogged down in a series of "assessment periods" and grandiose schemes", we again feel that with SOB as the takeover agency this danger is precluded, since as stated, SOB has been fully included in this current and final assessment period.

R.P.H.

There have been, since this period started, and there should be no "grandiose schemes" in the immediate or distant future, depending, of course upon the successor agency's adhering to the rigid policy of applying ZACABIN regulations which L J has imposed and enforced most stringently since taking over USAGE on a full-time case officer basis. In this regard it should be pointed out that USAGE has responded with fullest cooperation, speed and understanding. Certainly, when one looks at the PRQ's submitted, with real names, photograph-signature-fingerprint cards, plus operational details and this in addition to production, one must conclude that this last "assessment" period has been a profitable one, and at least so it seems to us at POB, should be sufficient to precipitate a decision as to disposition of USAGE. As for guarding against large payrolls for piddling returns and masses of paper on inconsequential aspects, we feel that the takeover agency now finally has the advantage of good indoctrination of USAGE thru our efforts of the last few months. His reporting is within the strict framework of the Project system. We believe he knows what we want and expect and what we do not want nor need. Costs in the CSR operations and in Austrian activities have been kept from expanding. In the CSR operation they amount to \$457.00 per month for a total of \$1828.00 for the four months it has been in existence. (\$748.00 of the total has been paid in Czech crowns, the remainder in Austrian shillings.). In that time it has produced, as pointed out above, 26 disseminated reports, operational and administrative reports, and has embraced four successful courier trips in and out of Slovakia.

With regard to the UJDRUID proposal as originally submitted by USAGE, we feel that this should be required reading not only for the agency taking him on, but for everyone dealing with Germans or Austrians. It is significant that our complete rejection of the first proposal succeeded in reducing the large number of persons involved to the manageable number of three, which was also rejected, for reasons dealing with the L J station.

4. Our comments on MGKW-11190 being completed, a summary of the bases for our recommendation that SOB rather than GRUESOME take over-handling of USAGE is set forth as follows:

a. GRUESOME cannot at this time take over USAGE under the conditions set forth in MGKW-11190.

b. The end of the final USAGE assessment period will be reached 1 January, and the sooner USAGE is transferred to an Austrian-based AIS agency the better we feel it will be for AIS, POB and USAGE's operations per se.

c. SOB has the double advantage of foreknowledge of USAGE in the form of an ex-Wash ZIPPER desk man L J on its staff, plus full insight into the present assessment period.

d. SOB has more interest than GRUESOME, not only in USAGE's taping possibilities with respect to intelligence mills, but also in his internal Austrian connections, and an understandable desire to control USAGE penetration of other SOB connections.

RHS

5. We feel, therefore, that SOB is the most logical and suitable agency to take over USAGE and his operations. For this purpose we recommend that SOB name a qualified case officer, (who does not know USAGE socially), to begin immediately after 1 February working closely with C I and accompanying C I on meetings with USAGE. It is hoped that this take-over period should be accomplished within two months time. In other words, on 1 February, POB gives up USAGE in principle, and on 1 April in final actuality.

6. To implement the take-over, if approved, SOB should be prepared to do the following:

a. Provide one case officer, beginning immediately, to accompany C I on weekly meetings with USAGE for a period to two months (approximately 6 or 7 meetings), or a shorter period, if SOB feels that the take-over can be accomplished within a lesser time.

b. Provide the operating expenses for USAGE beginning 1 April or earlier. (45,820 AS, 75,000 Kc monthly).

c. Provide such documentation as may be necessary for properly papering bona-fide couriers.

d. Final decision on the question of continuing supply of cigarettes and operational gasoline to USAGE should be left to SOB. Because the support was included in the original agreement with USAGE and does not appear unreasonable, and because purchase of gasoline and cigarettes on the Austrian economy would involve increased costs, we see no valid reason here for arbitrary discontinuance if the operations are intended to continue. The sooner the above can be put into effect, the sooner it will aid the SOB case officer psychologically in establishing an early and effective liaison with USAGE.

7. To sum up:

a. SOB has been cut into all USAGE proposals since the present period started. All final questions since receipt of MGKW-9897, MGKW-11190 have been referred to Washington for decision. All have been or will be in ZACABIN form.

b. The probability of taking over internal Austrian operations being entailed has been recognized and is in fact welcomed, at least in a limited degree, by SOB. The performance of this while sloughing off the satellite operations can be accomplished by dropping defection operations and CSR operations depending, especially in case of the latter, on progress made.

c. The possibility of using USAGE to spot and report on other paper mills in Austria is being considered by SOB, as well as establishing possible CI contacts in Sovzone Austria through USAGE's OB operations, in order to complement SOB's efforts.

RPS

d. USAGE's satellite effort should be confined to the CSR until such time as it is felt that his operations there are solid and sound. Any expansion will depend on conformity to the pattern already set, i.e. ZACABIN regulations, small, slow, sound build-up under strict supervision and control by the successor agency.

e. USAGE's internal Austrian show can best be molded by SOB to serve the proper interests of all parties concerned in the order of their proper priority. Incidentally, we learned from G-2 USFA (see MGLA-9557) for the first time, that USAGE's OB production is useful and worthwhile if not voluminous and also that his political and CI reporting is of value.

8. In conclusion, the overall assessment would not be complete without a total monthly costs for the period 1 July to 31 December 1951.

	AS	\$	Kc
July	35,200	500	
August	35,200	500	
September	43,300	500	75,000
October	45,820	575	75,000
November	45,820		75,000
December	45,820		75,000
Totals:	<u>251,160</u>	<u>2,075</u>	<u>300,000</u>
Approx. totals converted to \$			
@ 30/1 - - -	\$8,372.00		
@ 1/1 - - -	2,075.00		
@ 400/l - - -	750.00		
	\$ 11,197.00		

Barring major changes, estimated costs for the next six months period will approximate \$10,290.

WPA

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